


GSA Public Buildings Service

PBS Pricing & Fees



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Agenda

- Rent Structure Overview
- Occupancy Agreements
- Fees
 - PBS & Project Management
- Pricing Updates
- Security

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Pricing Policy - Rent Structure



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Major Components of Rent Structure

- Market Rent
 - Shell Rent
 - Operating Rent
 - Taxes
 - Tenant Improvement – General
- Tenant Improvement – Customization
- Security Charges
- Parking and Other Charges
- GSA Fee
- Joint Use space

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Pricing in Leased Space

- Pass through of Lease Costs
 - Operating Expenses
 - Tenant Improvement Allowances
- GSA Fee
- Security Charges

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Components for Leased Space

Shell Rent	
+ Amortization of General Tenant Improvement Used	
+ Operating Costs	
+ Real Estate Taxes	
= Market Rent	
+ Amortization of Customized Tenant Improvement Used	
+ Security Services	
+/- Adjustments for Additional / Reduced Services	
+ Parking	
+ Other Charges	
+ GSA Fee (8%)	
= Agency Rent Subtotal	
+ Joint Use	
= Total GSA Rent Billed to Agency	

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Pricing in Government-Owned Space

- Term of Occupancy
- Base (Shell) Rent derived from Appraisal
- Operating Expenses from Appraisal
- Tenant Improvement Allowances
- Security Charges
- Antenna Charges

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Components for Federally Owned Space

Shell Rent	
+ Amortization of General Tenant Improvement Used	
+ Operating Costs	
=	Market Rent
+ Amortization of Customized Tenant Improvement Used	
+ Security Services	
+/- Adjustments for Additional / Reduced Services	
+ Parking	
+ Other Charges	
=	Agency Rent Subtotal
+ Joint Use	
+ Antenna	
=	Total GSA Rent Billed to Agency

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Occupancy Agreements



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Occupancy Agreements (OAs)

Captures mutual understanding between GSA and Customer regarding:

- Occupancy Date
- Terms of Occupancy
- Financial Responsibilities
- Unique Requirements

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Occupancy Agreements (OAs)

Major Components

- Description of Space and Services
- Compendium of Clauses
 - Agency Specific Clauses
- Financial Summary
- Signature Page

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OA Tool Enhancements



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Enhancements (March 2004)

- OA Number Format AXX12345 (XX = State)
- Exchange of Data between STAR & OA
- OA can be Made "Final"
- "Final" OA can be Supplemented / Amended / Replaced
 - Rates can be Blended


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Enhancements (March 2004)

- Multiple TIs with Different Effective dates
- Create Financial Summary for All or Part of an OA Term

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PBS Fee



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PBS Fee Basics

- Owned
 - Provided as part of the shell rent
- Leased
 - Flat fee calculated annually on value of the lease contract, standard operating services that PBS provides for non-fully serviced leases.
 - Not calculated on tax escalations or enhanced services.
 - Based on aggregate of the inventory
 - Not negotiable
 - No discounts provided for performing tasks covered by fee

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PBS Fee Types

- 8%
 - Standard Fee
- 6%
 - Non-Cancelable Designations
 - Must meet specific criteria
 - Remote or not easily accessible
 - Special purpose use or build-out requiring significant capital to retrofit
 - Any other factors which would significantly impact ability to backfill
- 4%
 - USPS Controlled Space

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PBS Fee – What's Included

Contract Risk

- Vacancy Risk (4 Month Cancellation Option with 8% Fee)
- Customers have ability to withdraw up until time PBS obligates funds
 - Signs lease or other contract

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PBS Fee – Services Provided

Real Estate & Property Management

- Lease Acquisition Services
- Prospectus Generation
- Requirements Development & Space Planning for Baseline
 - Limited to initial submission and two on-board revisions
- Appraisals
- Occupancy Agreement
- Legal Staff Support
- Project/Construction Management
- Lease Administration/Property Management

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PBS Fee – What's Not Covered

- Environmental Studies
 - Leased
 - Does not cover a cost of a procurement specific EA or EIS
 - Reimbursement by prospective tenant
 - If GSA controls site – reimbursement sought from purchaser of site
 - Owned
 - PBS bears cost as the building owner

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PBS Fee – What's Not Covered

- Telecommunication Network Services & IT
- Furniture, Equipment and Supplies
- Physical Moves
- Relocation Management

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Project Management Fee



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What does 4% cover?

- Indirect project costs such as salary and benefits of PBS associates involved in **oversight** of the project.
 - such as Realty Specialists, Contracting Officers, and Project Managers
 - Project Manager's role is oversight when we hire a contractor to perform work (A/E & CM)

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Actually Performing Work vs. Oversight

- Overseeing a contractor who is performing the work
- PBS associate actually performing the work ("Doing the Doing")

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What does 4% not cover?

- Directly charged expenses
- PBS associates actually performing the work
- Contract costs (A/E, CM, construction)
- RWA Corporate Overhead Charge
 - sliding scale applied to total RWA, including 4% fee

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What does 4% not cover?

Travel expenses associated with a remote work site

- Outside of commuting area defined by the GSA region
- Travel expenses include per diem expenses, air fare, mileage, etc.
- Chargeable travel expenses do not include the salary of the GSA associate overseeing the project
- Pricing policy requires the GSA region to obtain the Customer's consent before remote travel is charged (Desk Guide p. 3-21)

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Project Management Fee Concerns

- Communication of Project and what level of Project Management Services will be provided for a specific project
- Reliable Estimate

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Why 4%?

- Private sector real estate companies typically charge between 3% - 8% for space alteration work, depending on the amount of work required.
- PBS decided until further data was available we would use 4%. Recovery cost is all that is mandated. We cannot charge commercial equivalent and use the funds to supplement our accounts.

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When do we charge 4%?

Leased Space

Initial Occupancy	to TI work that exceeds the allowance (paid by RWA)
Continuing occupancy (leased space)	to TI work that exceeds the allowance or is paid upfront by agency (paid by RWA)

Entire project must exceed \$2500 before 4% is applied

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When do we charge 4%?

Government Owned Space

Initial Occupancy	to TI work that exceeds the allowance (paid by RWA)
Continuing Occupancy	to all TI work (paid by RWA or through Rent)
Post-Initial Occupancy (during OA term)	to all TI work (paid by RWA)

Entire project must exceed \$2500 before 4% is applied

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Components of RWA

- Estimated Cost of Construction (brick & mortar)
- + Construction Contingency
- + Architecture/Engineering (A/E) Fee
- + Construction Management (CM) Fee
- + PBS Associate time (if applicable)
- + PBS Associate travel (if applicable)
- + 4% Project Management (PM) Fee
- + RWA Overhead Fee (sliding scale)
- = Total Amount of RWA Required


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Updates

- Rent Start – OA Clause 2E
- ROI
- Standard Services – Template
 - Recurring Services Billing Option
- Appeal
- Antenna
- Application of Tenant Improvement Allowance
- Security

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Rent Start – OA Clause 2E



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Rent Start – OA Clause 2E

- Prerequisites to Rent Start
 - Substantial Completion
 - Space is Operationally Functional
- Phased Occupancy
 - One CBR for Agency in Building: Blocks of space added to CBR incrementally
 - Multiple CBRs (different AB Codes): Rent start for CBR will occur when the space associated with it is substantially complete and operationally functional

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Return on Investment (ROI)



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ROI Pricing

- Provides PBS with the ability to use alternate pricing to accomplish new project and keep existing inventory
- ROI New Authority from OMB
 - Convert Existing Property from Appraisal Based to ROI Pricing
 - Price Property Acquired by PBS using ROI Pricing
 - Default OA Term: 10 years

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ROI Pricing

- ROI Approval Process
 - Obtain signed OA.
 - Signed OA and supporting documentation is forwarded to PBS Central Office
 - PBS Central Office presents to OMB for approval

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Pricing Standard Services

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Operating Costs & Extra Services

- Provided clarification of existing standard services policy with a goal of consistent application
- Federal Owned Space – Janitorial Service
 - Property Manager, in consultation with building tenants, determines whether daytime or after hours cleaning will be standard for the building
 - Standard set based on the requirements of the majority of tenants (based on square footage)
 - Deviation from the standard will require reimbursement from the tenant of the increase in cost (if any)

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Operating Costs & Extra Services

- Leased Space
 - Daytime or after hours cleaning will be stipulated in the lease based on tenant preference and considered a standard service
 - reimbursement not required
 - Following costs may be included in lease contract. Although included in lease, agencies must pay GSA as a reimbursable payment
 - Above standard operating expenses
 - Utilities beyond standard 10 hours for 24 hour operation
 - Operation and maintenance of agency program equipment

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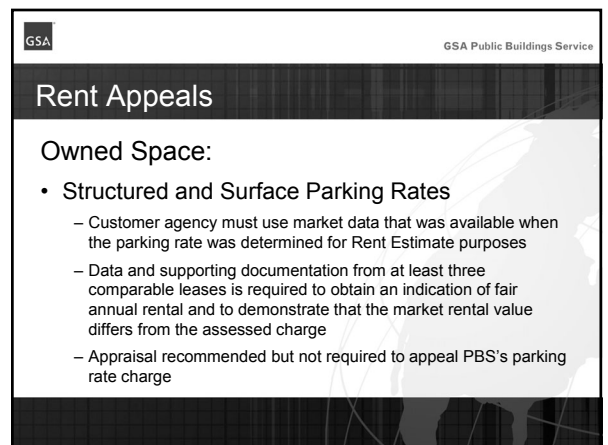
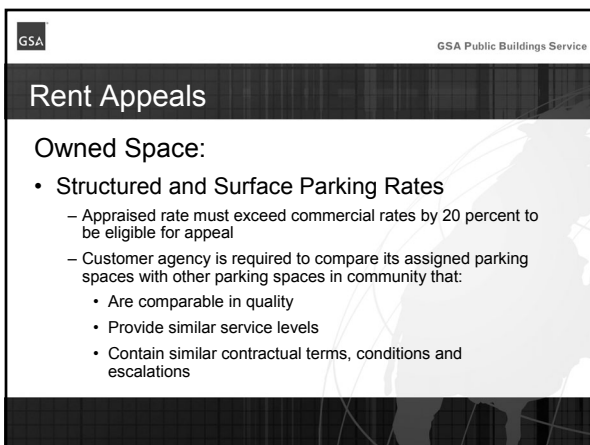
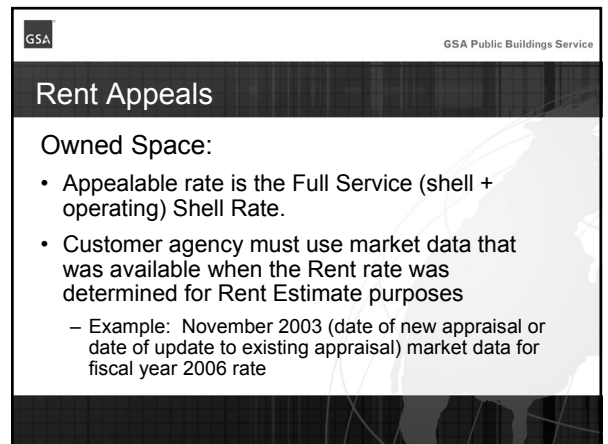
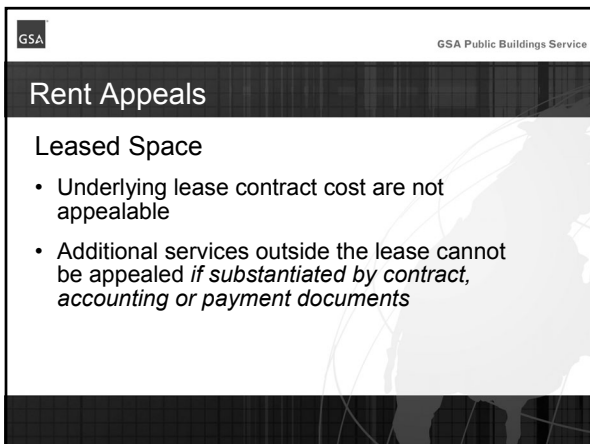
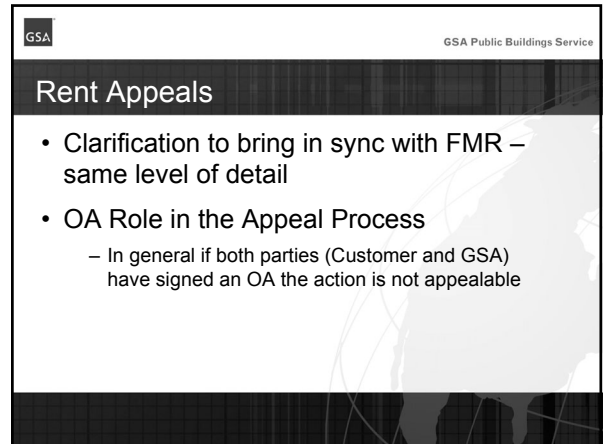
Operating Costs & Extra Services

- Methods of payment for reimbursable services
 - Traditional RWA
 - STAR Reimbursable Billing Feature
 - Agency must be a "participating agency" by signing up with CFO's office
 - Customer must use same IPAC/BOAC number as Rent
 - Annual signed OA amendment required to document reimbursable service agreement
 - Annual administrative fee, currently \$100 per service rendered, is charged to the user on the first month's bill

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STAR Reimbursable Billing Feature

- Allows for the billing of Following Recurring Services via PBS rent bill (Line 16)
 - Overtime Utilities – 16a
 - Enhanced Custodial Services – 16b
 - Mechanical O & M HVAC – 16c
 - Mechanical O & M Others – 16d




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Rent Appeals - Stages

- Region
 - Submit to the Regional Administrator
- Public Building Service
 - Submit to the Commissioner
- General Services Administration
 - Submit to the Administrator
 - Final Decision

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Antenna Pricing



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Antenna Site Pricing

- Clarification – New Antenna Study Completed
- Federally Owned Antenna Rates:
 - Antenna Study
 - New Antenna Rates Effective 10/1/04
 - FY05 Charge: \$1,500 per device
 - Escalated annually at beginning of fiscal year by OMB inflation factor
 - Study revalidated every 5 years

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Antenna Site Pricing

- Federally Owned Antenna Rates:
 - Appraisal
 - Antenna charge may be based on appraisal if market rent exceeds the established annual charge by 50% or more. Cost of appraisal should be considered
 - Appraisal performed every 5 years with escalation during the intervening years as determined by the appraisal

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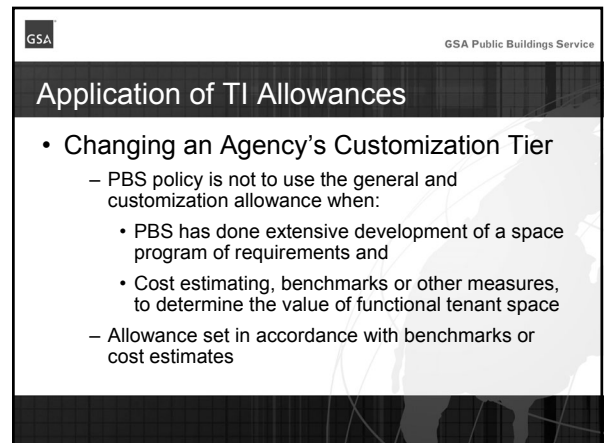
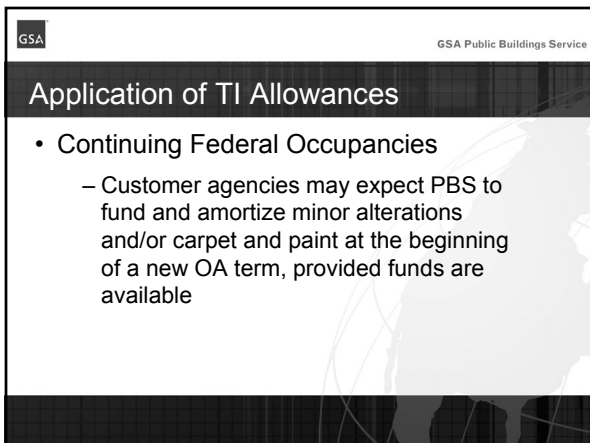
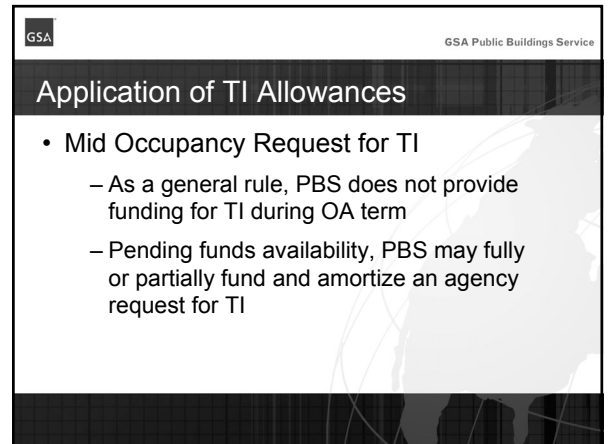
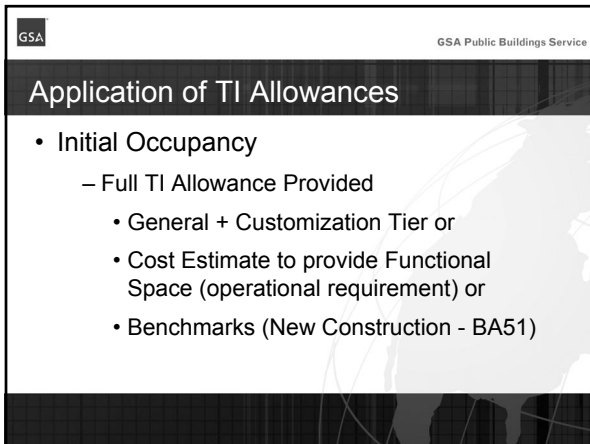
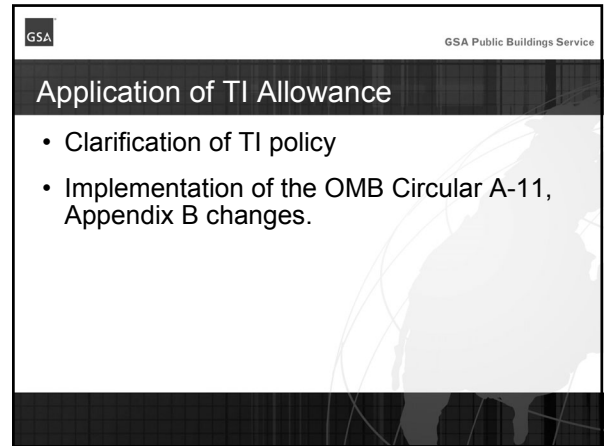
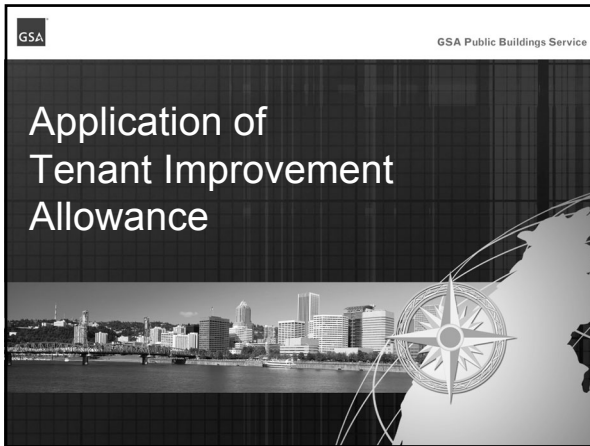
Antenna Site Pricing

- Federally Owned Antenna Rates:
 - Appraisal
 - Appraised fair annual rental for antenna based on prevailing market practice
 - Building tenants
 - Pure rooftop tenant
 - Antenna towers

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Antenna Site Pricing

- Return on Investment (ROI) Priced Property
 - For customers in space priced by the ROI approach, there is no additional charge for antennas
- Leased Space – Federal Tenant
 - No charge for antennas unless the lessor charges PBS, in which case, the lease charge is passed through



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Application of TI Allowances

- PBS is not obligated to ensure that all aspects of an agency's design guide or design guidelines are incorporated into their allowance.
 - Design guides provide a wide degree of latitude in selection of finishes
 - Standard is to ensure the allowance covers the cost of basic functionality (operational requirements) for the specific space use, i.e., courtrooms, cellblocks, etc.

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OMB Circular A-11 Additional Rule on Lump Sum Funding for Inherently Governmental Features in Leases

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Added Rules

Special features or enhancements unique to the government must be:

1. excluded from the calculation of the asset's Fair Market Value, for purposes of calculating the 90% test, and
2. funded-up front by the government rather than financed through the lease.

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Application of TI Allowances

- Non-Prospectus – Leased
 - TI allowance set in accordance with agency's tier or based on a cost estimate to provide functional space
 - Total full service rent, excluding Building Specific Security countermeasures proposed to meet ISC design criteria, cannot exceed high-end market rent
 - High-end market rent determined by Region. Lease file must be documented

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Application of TI Allowances

- Non-Prospectus – Leased (continued)
 - Building Specific Security countermeasures proposed to meet ISC design criteria need not be funded lump sum as long as their inclusion in rent does not push the total rent over the prospectus dollar limitation
 - Items billed as Building Specific Security - Amortized Capital

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Application of TI Allowances

- Non-Prospectus – Leased (continued)
 - Security-related tenant-specific build-out unique to an agency such as holding cells, sallyports and special shielding to prevent electronic eavesdropping, may be included in the lease as long as rent does not exceed high-end market

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Application of TI Allowances

- Non-Prospectus – Leased (continued)
 - If inclusion pushes the rental rate beyond high-end market, an RWA is required for the dollar value of the improvements that, if amortized, would push rent over the high-end market barrier
 - PBS will give agencies adequate time to budget for reimbursable expenditures for on going lease procurements. Therefore, this requirement will be implemented no later than 10/1/2006

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Application of TI Allowances

- Prospectus – Leased
 - TI allowance set in accordance with benchmarks or cost estimates to provide functional space
 - Total full service Rent cannot exceed high-end market
 - OMB must concur with Region's determination of high-end market rent

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Application of TI Allowances

- Prospectus – Leased (continued)
 - Security-related tenant build-out unique to an agency such as holding cells, sallyports and special shielding to prevent electronic eavesdropping, which if financed through the lease would result in a rental rate beyond market, must be funded lump sum via RWA.
 - OMB reserves the right to require security-related tenant-specific build-out be funded via RWA even if those items can be financed through the lease while remaining under high-end market rent

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Application of TI Allowances

- Prospectus – Leased (continued)
 - Building Specific Security countermeasures proposed to meet ISC design criteria need not, categorically, be funded lump sum. However, if the OMB approved rental rate is not adequate to cover these costs, the countermeasures must be funded lump sum via RWA

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Security



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Security Changes

- Basic and Building Specific
 - FY 05 will not be billed on PBS bill
 - PBS will serve as billing agent only
 - Agencies will be billed separately and monthly
 - FPS employee will be listed as contact
 - Clause added to OA Tool June 25, 2004 to notify customer of change
 - August Rent Bill cover letter will also notify customer
- Building Specific Amortized Capital
 - Remains on PBS bill

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Contains the Pricing Desk Guide
and all Pricing Policy Clarifications

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Questions?

